

# Financial Markets Daily

May 23, 2022

## Main drivers for the financial markets today...

- **Stock markets and government bond yields higher while the USD declines, with some optimism after president Biden commented they will assess tariffs imposed to China during Trump's administration, in a bid to fight inflation. This more than compensates for a more hawkish bias from the ECB's Lagarde and other Fed members**
- **In Germany, the IFO expectations survey for May stood at 86.9pts, slightly above the previous month and expectations. Although this lessens recession fears, the Bundesbank warned that the economy will barely grow in the second quarter**
- **Market focus this week on PMIs for May in the Eurozone, UK and US given fears of an economic slowdown. In the monetary front, minutes from the Fed and Banxico, as well as decisions in Israel, New Zealand, Turkey and Korea, and a speech by Lagarde from the ECB**
- **Events include the World Economic Forum, the World Gas Conference in Korea and NATO's Parliamentary Assembly. The tour of president Biden in Asia continues, while primary elections will be held in the states of Alabama, Arkansas, and Georgia**
- **In economic data, releases in the US include new home sales, durable goods orders, trade balance, personal income and spending, PCE deflator (Apr), 1Q22 GDP and jobless claims**
- **Going to other regions, we note inflation in Brazil (May), final 1Q22 GDP in Germany, and monetary aggregates in the Eurozone (Apr). Moreover, the OECD will publish its Economic Outlook**
- **Mexico's agenda is bulky. Figures includes final GDP and current account in 1Q22, retail sales, IGAE (Mar), trade balance (Apr) and inflation for the first half of May**

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## The most relevant economic data...

	Event/Period	Unit	Banorte	Survey	Previous
<i>Germany</i>					
4:00	IFO Survey (business climate)*-May	index	--	91.4	91.8
<i>United States</i>					
12:00	Fed's Bostic Discusses the Economic Outlook				
19:30	Fed's George gives speech at agricultural symposium				

Source: Bloomberg and Banorte. (P) preliminary data; (R) revised data; (F) final data; \* Seasonally adjusted, \*\* Seasonally adjusted annualized rate.

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## A glimpse to the main financial assets

	Last	Daily chg.
<i>Equity indices</i>		
S&P 500 Futures	3,935.00	0.9%
Euro Stoxx 50	3,672.86	0.4%
Nikkei 225	27,001.52	1.0%
Shanghai Composite	3,146.86	0.0%
<i>Currencies</i>		
USD/MXN	19.80	-0.3%
EUR/USD	1.07	1.0%
DXY	102.20	-0.9%
<i>Commodities</i>		
WTI	111.47	-1.6%
Brent	113.89	1.2%
Gold	1,860.22	0.7%
Copper	429.00	0.2%
<i>Sovereign bonds</i>		
10-year Treasury	2.83	5pb

Source: Bloomberg

## Equities

- **Equity markets kicked-off the week with a positive bias after high volatility in the previous week. Investors react to the US president's announcement that trade tariffs imposed on China by the previous administration will be discussed, while concerns continue about a more restrictive global monetary stance and less economic dynamism**
- **In Asia, markets closed mixed. Chinese shares slid after a record number of coronavirus cases was reported in Beijing. In Europe, stocks advance, with the Euro Stoxx adding 0.4%. Shares from technology and energy sectors lead gains, while those from utilities and financial are among those with the highest losses**
- **In turn, US futures of main indices point to a positive open, rising 1.0% on average. However, the Nasdaq is already in bear market territory. Finally, in Mexico, the Mexbol may hover around 52,000pts**

## Sovereign fixed income, currencies and commodities

- **Negative balance in sovereign bonds. European rates show a 4bps average sell-off, while the US Treasuries' curve prints losses of up to 5bps. In Mexico, the Mbonos' yield curve averaged gains of 10bps last week, with an adjustment of up to -19bps in mid-term securities**
- **Dollar retreats amid widespread gains in developed currencies, with NOK (+1.5%) leading. In EM, the bias is also positive with RUB (+7.7%) outperforming, followed by HUF (+1.5%). MXN trades at 19.81 per dollar (+0.3%) after three positive weeks in a row**
- **Crude-oil mixed amid a tight supply and concerns about weak demand due to COVID-19 lockdowns in China. Both Brent and WTI remain above 110 \$/bbl. The balance in metals is mostly positive except for Nickel (-5.0%)**

## Previous closing levels

	Last	Daily chg.
<i>Equity indices</i>		
Dow Jones	31,261.90	0.0%
S&P 500	3,901.36	0.0%
Nasdaq	11,354.62	-0.3%
IPC	51,518.30	0.4%
Ibovespa	108,487.88	1.4%
Euro Stoxx 50	3,657.03	0.5%
FTSE 100	7,389.98	1.2%
CAC 40	6,285.24	0.2%
DAX	13,981.91	0.7%
Nikkei 225	26,739.03	1.3%
Hang Seng	20,717.24	3.0%
Shanghai Composite	3,146.57	1.6%
<i>Sovereign bonds</i>		
2-year Treasuries	2.58	-3pb
10-year Treasuries	2.78	-6pb
28-day Cetes	6.97	-6pb
28-day TIIE	7.20	0pb
2-year Mbono	8.91	-2pb
10-year Mbono	8.69	-13pb
<i>Currencies</i>		
USD/MXN	19.86	-0.3%
EUR/USD	1.06	-0.2%
GBP/USD	1.25	0.1%
DXY	103.15	0.4%
<i>Commodities</i>		
WTI	113.23	0.9%
Brent	112.55	0.5%
Mexican mix	107.86	0.8%
Gold	1,846.50	0.3%
Copper	427.50	-0.2%

Source: Bloomberg

## Corporate Debt

- **We expect a moderation in long-term placements during the rest of May, with only two issuances for MXN 1.25 billion from GM Financial de México and Factor Expres. In this way, the amount issued for the month would close 40% below same month last year. However, it is important to recall that said period was the one with the highest placements in the last three years**
- **HR Ratings upgraded Grupo Financiero Afirme rating from 'HR A' to 'HR A+', changing the Outlook from Positive to Stable, and upgraded the ST rating from 'HR2' to 'HR1'. According to the agency, the upgrade is based on the adequate financial evolution of Banco Afirme, which showed a strengthening in its solvency position, closing with a net capitalization ratio of 15.3% in 2021**

## Certification of Analysts.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Manuel Jiménez Zaldivar, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Carlos Hernández García, David Alejandro Arenas Sánchez, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Yazmín Selene Pérez Enríquez, Miguel Alejandro Calvo Domínguez, Daniela Olea Suárez, José De Jesús Ramírez Martínez, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Isaías Rodríguez Sobrino, Paola Soto Leal, Oscar Rodolfo Olivos Ortiz, Daniel Sebastián Sosa Aguilar and Salvador Austria Valencia certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V. for the provision of our services.

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<b>HOLD</b>	<i>When the share expected performance is similar to the MEXBOL estimated performance.</i>
<b>SELL</b>	<i>When the share expected performance is lower than the MEXBOL estimated performance.</i>

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